Remarks of Eric L. Hirschhorn Under Secretary for Industry and Security U.S. Department of Commerce

U.S.-India High Technology Cooperation Group July 11, 2011

Introduction

Secretary Rao, Ambassador Burleigh, Ladies and Gentlemen.

Thank you, Director General Banerjee, for that kind introduction. It is a great pleasure to be back in India – I was eager to escape the Washington summer heat, but it seems to have followed me to Delhi!

I want to thank our hosts – the Confederation of Indian Industries and the Federation of Indian Chambers of Commerce and Industry. Both CII and FICCI have consistently been drivers of increased trade and cooperation between the United States and India. Thank you, Director General Banerjee, and Mr. Narang, for your continued support and outstanding work in putting this event together.

I would also like to thank Foreign Secretary Rao for the invitation to return to India. Madam Secretary, you have been a champion of the U.S.-India relationship, and we look forward to having you come to Washington to continue your efforts. Thank you for your commitment to the U.S.-Indian strategic partnership and for taking the time to be with us today. I look forward to continuing our dialogue tomorrow.

Let me also thank members of the U.S. industry delegation who have travelled to India for today's discussion, and our HTCG partner in the United States – the U.S.-India Business Council. Ron Somers, president of the USIBC, is with us today – thank you, Ron, for your commitment and for leading the Defense and Strategic Trade working group later this afternoon.

I am also pleased to see so many additional U.S. companies in the audience that are represented by business leaders here in India. The breadth and diversity of the U.S. companies with a robust presence in Delhi, Mumbai, Bangalore, Hyderabad, Calcutta, and many other locations in India is a testament to how far we've come in expanding U.S.-India business ties.

Finally, I'd like to thank the many Indian company representatives that are here today. It is because of you – U.S. and Indian business leaders – that the U.S.-India High Technology Cooperation Group has been a success. Thank you for your continued interest in building trade with the United States.

Building Stronger U.S-India Trade Ties

As President Obama said during his historic visit to India last November:

I believe that the relationship between the United States and India is indispensable to addressing the challenges of our time -- from creating economic opportunity for our people to confronting terrorism and violent extremism; from preventing the spread of nuclear weapons

to addressing climate change; from the development that gives people and nations a path out of poverty to advancing human rights and values that are universal. None of this will be possible without strong cooperation between the United States and India.

I am here today not only to implement the President's commitment to strengthen our "indispensible" relationship, but because I too believe that this relationship will be "one of the defining partnerships of the 21st century."

The U.S. and Indian business communities have been one of the driving forces behind strengthened U.S.-India ties for the past two decades. Many of you in this room have played a key role in the remarkable transformation of the bilateral economic relationship.

Most of us have heard statistics that show this to be true, but let me reiterate some of the highlights that emphasize the importance of the Indian market for U.S. business. The Indian economy is the second-fastest growing in the world – expanding at over 8 percent annually. India is likely to have the third largest economy in the year 2030 and the largest by 2050. Put simply, this is a market in which U.S. business sees great promise. And greater U.S.-India ties offer advantages for both countries: sustained growth, jobs, and unparalleled technological collaboration that fuels innovation and a better way of life for both the Indian and the American people.

As Prime Minister Singh and President Obama said in November 2010:

India and the United States, anchored in democracy and diversity, blessed with enormous enterprise and skill, and endowed with synergies drawn from India's rapid growth and U.S. global economic leadership, have a natural partnership for enhancing mutual prosperity and stimulating global economic recovery and growth.

Indeed, the future possibilities for increased bilateral trade and cooperation appear endless. But challenges remain.

We must continue to eliminate policies that discourage research and innovation. We must find new ways to break down tariff and non-tariff barriers to trade that stifle cooperation. Despite great progress over the last two decades, India still ranks 134th out of 183 countries in the World Bank's index of "Ease of Doing Business." Although our trade relationship continues to grow, with U.S. exports to India up 17 percent in 2010 and imports from India up 40 percent, certainly, there is more that we both can do to increase these positive trends and realize the full potential of our trade relationship.

The Role of the HTCG

This group, the U.S.-India-High Technology Cooperation Group, has been a key contributor to our past success and has an important role in addressing future challenges. After nearly a decade of working to expand high technology cooperation and to recommend actions our governments should take to facilitate trade, the HTCG remains a model for how focusing on discrete, obtainable goals can help us achieve our vision of a stronger economic relationship.

Your work here – opening the way for continued growth and new opportunities in defense and strategic trade, civil aviation, biotechnology and life sciences, and nanotechnology – remains as relevant today as it was when the HTCG began in 2002.

In the area of biotechnology and life sciences, the HTCG has covered cross-cutting sectors including pharmaceuticals, health IT, medical devices, healthcare services, academic-medical

research enterprises, and intellectual property protection. The HTCG has made strides in a number of areas, including the removal of a concessional tariff on life-saving drugs and medical devices, and advanced discussions on publically-funded medical research. The HTCG can now focus on building out the healthcare infrastructure and ensuring a fair and transparent process for resolving problems in the medical devices sector. There are thriving innovator biopharmaceutical companies in both India and in the United States. These companies invest in cutting-edge technologies. The U.S. and India should work together to maintain an open investment climate that is conducive to research and collaboration.

We have also accomplished a great deal in the area of civil aviation cooperation, in the short time since the establishment of a permanent HTCG subcommittee last year. In March 2010, the subcommittee issued joint recommendations aimed at further strengthening the natural partnership in aviation and aerospace between our two countries. Recognizing India's need for a more developed civil aviation infrastructure, the Subcommittee has selected several "focus" airports that will receive special attention to encourage U.S. business participation in their upgrade and redevelopment. The subcommittee's focus now is developing an action plan that will place development at those airports on a path to completion and serve as a model for further infrastructure development efforts.

In our discussions on nanotechnology, the HTCG continues to explore possible areas of collaboration in this cutting-edge technology, including the health and energy sectors. Last year, the working group developed valuable recommendations for how U.S. and Indian companies – and our governments – should facilitate information exchange, address intellectual property rights, and develop funding mechanisms for research and development projects. Now, it is important for the HTCG to examine how we can put those recommendations into practice.

Increased defense and strategic trade is another example of success over the past decade and perhaps the area of greatest promise. India has embarked upon a military modernization program expected to exceed \$35 billion in acquisitions over the next five years. Not every contract has gone – or will go – to a U.S. company, but U.S. firms have been awarded almost \$8 billion in defense sales in the past four years. These successes exemplify how U.S. firms offer the most mission-critical, advanced, and affordable defense technologies in the world. But there is more we should do together to ease procurement processes, enable companies to invest in joint ventures and greater co-production, and remove barriers to foreign direct investment.

As you move forward with your discussions today, I ask that you keep these issues in mind.

U.S. Export Controls and High Technology Trade

For our part, the U.S. Government is fully committed to doing what we can to help the HTCG accomplish its objectives. My organization, the U.S. Department of Commerce's Bureau of Industry and Security, administers the U.S. export control system for "dual-use" items—those with recognized civilian and military uses. U.S. export controls affect only a small portion of overall trade with India in "dual-use" items. In fact, U.S. Department of Commerce licenses are required for less than one percent of all U.S. exports to India.

The U.S. and India have an existing and robust trade relationship in controlled technologies. In this year alone, BIS has approved 389 license applications for controlled technologies valued at approximately \$5.1 billion. 99 percent of the items that required a license for export to India have been approved.

Importantly, an export license requirement does not preclude trade in a controlled technology. Many of the most sophisticated technologies – for example, those controlled for missile technology reasons – have a global license requirement.

Yet, I recognize that although export controls touch only a small portion of U.S. trade with India, the industry sectors most affected by export controls are an important and high-profile component of the trade relationship – defense, commercial space, civil nuclear, high technology, and homeland security, to name a few.

Accordingly, the Obama Administration has undertaken great efforts to reduce remaining burdens of export controls on bilateral trade with India. Last November, the President and Prime Minister committed to work together to strengthen the global export control framework and further transform bilateral export control regulations and policies.

Earlier this year, my organization took the first step toward implementing the 2010 bilateral understanding by removing all Indian space and defense-related entities from the Department of Commerce's "Entity List" and beginning to realign U.S. export controls to reflect India's status as a strategic partner. This positive step will help facilitate trade in the civil space, defense, and high technology items. It also highlights our deep commitment to the U.S. partnership with India and strengthens our mutual nonproliferation efforts.

In addition to moving quickly to implement the November commitments, the Administration is taking additional actions, consistent with U.S. national security objectives, to reform U.S. export control policy. Last month, BIS published a new regulation that takes the initial step to implement President Obama's Export Control Reform Initiative by adding a new license exception to the Export Administration Regulations – license exception Strategic Trade Authorization. STA authorizes the export, reexport, and in-country transfer of specified national security-controlled items to destinations that pose a low risk of diversion – including India.

In effect, the new regulation treats India similarly to our closest allies and partners and will expand high technology cooperation. We expect that many U.S. exporters of high technology products – including equipment for the manufacturing of semiconductor devices, polymers, organic compounds, and general purpose electrical equipment – and their customers in India will benefit from these new procedures.

The United States is now looking to India to act swiftly to complete its remaining November 2010 commitments to strengthen its own export control system, so that we can continue this trend and realize the President and Prime Minister's vision to "bring fundamental change to the U.S. export relationship with India."

Conclusion

I believe in the U.S.-India strategic partnership and that greater trade ties between our two countries will be one of the most important components of this "indispensible" relationship.

India and the United States have much in common: Our diversity. Our spirit of innovation. Our democracy. But perhaps most relevant to us today: our ingenuity and resolve to work together to solve problems in order to build a better future for our people. This is what makes a true partnership.

But this will require hard work. It is time to put more action behind our rhetoric and move down the road toward greater opportunity and prosperity. I look forward to working with all of you to make this happen.

Again, thank you for your time and participation. I know that your presence here is not without cost. But the future promise is worth the effort.

Good luck with your working group discussions. I look forward hearing your reports later this afternoon.

And I look forward to working with you, Madam Secretary, to integrate the ideas that come out of today's sessions into our discussions tomorrow.

Thank you very much.